

Under the Retailers' Occupation Tax Act, the manufacturing machinery and equipment exemption is available for machinery and equipment used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330. (This is a GIL).

September 27, 1999

Dear Ms. Xxxxx:

This letter is in response to your letter dated August 31, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We would like to request a written response to a use tax question that we have.

My client, COMPANY is in the business of remanufacturing toner cartridges for laser printers. Previously these cartridges were packaged in boxes which were ordered from one supplier and printed locally.

A decision was made to change the appearance of the boxes and they are now ordering these boxes from a new supplier and they will come already printed with the COMPANY design. To accomplish this new look for the product, COMPANY had to purchase from BUSINESS several different printing dies at an average cost of \$1300.00 each. While COMPANY now owns these dies they are kept at BUSINESS to be put on their machinery when they are producing the containers for the various cartridges.

The use tax question involves these printing dies. No sales tax was charged by COMPANY because they consider them part of the manufacturing process.

Likewise, a phone call to your Taxpayer Information Section resulted in an opinion that these dies would not be subject to use tax. However, we are aware that only written advice from the Department is considered in an audit, so we are requesting a written response from you to determine whether these dies are an equipment purchase subject to use tax or considered to be part of the manufacturing process for COMPANY.

Under the Retailers' Occupation Tax Act, the manufacturing machinery and equipment exemption is available for machinery and equipment used primarily (over 50% of the time) in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330, enclosed.

"Manufacturing" is defined as the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, which changes some existing material or materials into a material with a different use, form, or name. These changes must result from the process in question and be substantial and significant.

"Machinery" means major mechanical machines or major components of such machines contributing to a manufacturing or assembling process. See Section 130.330(c)(2). "Equipment" includes any independent device or tool separate from any machinery but essential to an integrated manufacturing or assembling process. See Section 130.330 (c)(3). The exemption also extends to repair and replacement parts as long as the parts are incorporated into machinery and equipment that is exempt under the regulation. The use of machinery or equipment to effect a direct and immediate physical change upon the tangible personal property to be sold will generally be considered to constitute an exempt use under the manufacturing machinery and equipment exemption.

Printing is specifically excluded from the definition of "manufacturing process." See 86 Ill. Adm. 130.330(b)(5), enclosed. Therefore, printing dies will not qualify for the manufacturing machinery and equipment exemption. Printing dies also will not qualify for the graphic arts machinery and equipment exemption. See the enclosed copy of 86 Ill. Adm. Code 130.325. That exemption specifically excludes dies as expendable supplies. See Section 130.325(b)(2).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel